January 3, 1943, a turbulent time in the history of our country. For three decades, until his retirement in 1973, Thomas Abernethy served with distinction as a member of our House delegation.

One of the highlights of his career politically came very soon after he was elected to Congress. Our State, during the census of 1950, was reapportioned and lost a Member of Congress. He was put in a congressional district by the State legislature's reapportionment plan, with one of the most senior and best known members of the State's delegation at that time, John Rankin. Many expected that John Rankin would defeat Tom Abernethy in the Democratic primary in 1952. But as it turned out, Tom Abernethy won that race and he served for 20 more years as a member of our House delegation.

He retired the same year that I was elected to the House with two other new Members of our House delegation—David Bowen, who replaced Tom Abernethy; and TRENT LOTT, who replaced the retiring Bill Colmer.

Interestingly enough, Tom Abernethy became a close friend and advisor to me. I sought his advice on matters involving agriculture, the Natchez Trace Parkway, and other issues of importance to me and to our State. I always found his advice and counsel very valuable and helpful.

When I became a candidate in 1978 for the Senate, Tom Abernethy continued to be my friend and advisor, for which I was very grateful. I will always recall accompanying him to his hometown of Okolona during that campaign, meeting with friends of mine and his who had decided to become active in my campaign for the Senate. I could tell that he enjoyed that occasion. I enjoyed it very much too and benefited greatly from his support throughout that campaign.

Today, I'm pleased to advise the U.S. Senate that Tom Abernethy is going to be celebrating his 95th birthday on Saturday. I encourage those who remember him as I do and appreciate him as I do to wish him well on his birthday on Saturday. I congratulate him for his conscientious and effective service to our State and our Nation as a distinguished Member of Congress and as a wise and valued citizen in his role as a former Member of Congress.

Mr. President, I suggest the absence of a quorum.

The PRESIDING OFFICER. The clerk will call the roll.

The assistant legislative clerk proceeded to call the roll.

Mr. ALLARD. Mr. President, I ask unanimous consent that the order for the quorum call be rescinded.

The PRESIDING OFFICER. Without objection, it is so ordered.

Mr. ALLARD. Mr. President, it is my understanding that I have been allocated 15 minutes this morning for comments under morning business.

The PRESIDING OFFICER. Under the previous order, the Senator from Colorado, Mr. ALLARD, is recognized to speak for up to 15 minutes.

REDUCTION IN THE CAPITAL GAINS TAX

Mr. ALLARD. Mr. President, earlier this year, I introduced S. 1635, legislation to reduce the capital gains tax to 14 percent and to provide indexing of capital gains.

This legislation builds on last year's tax bill, which moved the capital gains rate down from 28 percent to 20 percent. Last year's tax change was a good first step, but I favor a more aggressive approach to tax reform.

The U.S. level of tax on capital has been among the highest in the world. I am dedicated to seeing that it becomes one of the lowest in the world. A low rate of tax will encourage capital investment, economic growth, and job creation.

This is no time for the United States to sit on its lead; We must continue to ensure that America is the premier location in the world to do business. A low capital gains tax will help our economy, but it will also help America's families by reducing their tax burden.

Mr. President, the profile of the average stock market investor is changing rapidly. To make this point, I would like to refer now to a chart that outlines the tremendous growth in stock ownership among middle class Americans. This reflects a recent study commissioned by the NASDAQ stock market, which determined that 43 percent of adult Americans now invest in the stock market. This is double the level of just 7 years ago.

Investing is no longer the exclusive province of the elderly, affluent, or male. A majority of the investors are under 50 years of age, 47 percent of the investors are women, and half of the investors are not even college graduates. Most working-age investors describe themselves as blue- or white-collar workers rather than managers or professionals. I think that this rather dramatically reflects the change in the makeup of the investor on the stock market.

In addition to investing in the stock market, millions of Americans own small businesses and farms, and they certainly feel the impact of any tax on capital assets.

Mr. President, while a cut in the capital gains tax rate would help investors and their families, it is also likely to increase tax revenues. At first, this may seem odd, but there are two principal reasons that a cut in capital gains taxes increases revenues. First, there is the short-term incentive to sell more capital assets. Second is the long-term progrowth benefit from a capital-friendly tax policy.

Let me first discuss the short-term incentive to sell more assets. In order to understand this concept, one has to first recognize that the capital gains tax is largely a voluntary tax; the tax is only paid if the investor chooses to sell the asset. If taxes are high, the investor can hold on to the asset for years. But when taxes are dropped down, lowered, investors will often decide to sell the assets and realize the capital gain.

History confirms this pattern. In 1978, when the capital gains tax rate was reduced from 40 percent to 28 percent, capital realizations increased by 50 percent and tax receipts increased. In fact, it was done at that particular point in our country's history to stimulate the economy.

In 1981, Congress and President Reagan further reduced the capital gains tax rate to 20 percent. Once again, capital realizations increased dramatically. And by 1983, they were again up by 50 percent. In fact, during the period from 1978 to 1983, capital gains tax rates were cut in half. But by the end of the period, the Federal Government was receiving twice as much revenue from capital gains taxes.

I would like to emphasize that point by turning to a chart which compares the level of capital gains tax with tax revenue over a 20-year period, running from 1976 and projecting out to the end of 1997. As the chart clearly shows, the tax rate was cut in half between 1997 and 1983, right in this time period here, and the revenues more than doubled, from $9 billion in 1978 to nearly $19 billion by 1983. This was not a temporary blip. As the chart shows, revenues continued to rise through the 1980s.

The underlying point is proven dramatically, I think, in 1986. What happened in 1986 is this: Congress voted to increase the capital gains tax to 28 percent. This was a 40 percent increase in the tax rate then in place. But the new, higher rate was delayed until January 1 of 1987. What we saw then was a massive sale of assets through 1986, while the rate was still 20 percent. Investors rushed to sell their assets before the higher 28 percent went into effect.

If we look again at the chart, we find that capital gains revenues, after 1986, began a nearly 5-year decline. In fact, despite the much higher tax rate, by 1991, capital gains revenues were actually at their lowest level since 1984.

Mr. President, the pattern should be clear by now. But I would like us to take one more look at this issue by reviewing the revenue estimates associated with last year's cut in the capital gains tax rate. Any time Congress considers tax changes, it is required to estimate the revenue impact of those changes. This task falls principally on the Joint Committee on Taxation, which relies on data compiled by the Congressional Budget Office. Current law requires revenue estimates to stretch 10 years into the future.

Last year, when Congress proposed to cut the capital gains rate from 28 to 20 percent, the Joint Committee on Taxation submitted its revenue estimate.

Despite forecasting an initial pick up in revenue due to greater realizations, JCT forecast a 10 year revenue loss from the rate cut of $21 billion.

The JCT and CBO estimates now appear to have dramatically underestimated the strength of the economy and the positive response to the tax rate cut.

The JCT forecast last July that capital gains revenue for 1998 would be $57 billion after the rate cut.

Again, this is reflected here on the chart projecting a much lower impact, actually a loss that we will end up with. In the shaded area over here with the lines drawn we see a dramatic increase in revenue that happened to the Federal Government, just contrary to what our ''budgeteers'' were projecting when we initiated the capital gains reduction in rate.

Recently, I contacted the CBO and JCT to determine how the forecast was holding up.

The Congressional Budget Office is now anticipating that both the 1997 and 1998 capital gains realizations will be much higher than previously thought.

It is therefore reasonable to assume that even with a lower tax rate, capital gains tax revenues for 1997 and 1998 will be a good deal higher than previously forecast.

The irony here is that the entire 10 year revenue loss that was forecast may be made up for in the first several years of the rate cut.

Once again, we will have a situation where a tax rate cut leads to greater revenues.

Mr. President, what does all this tell us?

In my view, a review of the last twenty years of capital gains tax rates and the associated revenues suggests that the model used by JCT and CBO to estimate capital gains revenues is flawed.

At minimum, it would appear that when tax rates are lowered the model significantly exaggerates the revenues losses.

In fact, in no single year after a rate cut has there ever been a loss of revenue.

Conversely, when tax rates are increased, the model significantly exaggerates the level of revenue gains.

Not only do the Congressional models fail to accurately measure the response of taxpayers to changes in tax rates, they completely exclude any estimate of the impact of tax changes on economic performance.

Mr. President, up to this point we have only been discussing the short term behavioral changes that come from changes in the capital gains tax rate.

What about the longer term impact on economic growth? Congress is largely in the dark when it comes to any estimate of this benefit.

It is logical to assume that a lower tax rate on capital encourages capital formation. A higher rate of capital formation clearly benefits the economy. As a consequence the federal government will realize greater income, payroll, and excise taxes. In addition, state and local tax revenues will also rise.

Admittedly, all of this is difficult to measure. However, I would like to see some attempt made to include these factors in revenue models.

At a minimum they should be appended to the official revenue estimates. This would give Congress a more complete picture of the impact of tax changes on revenues.

As I review the issue of capital gains tax revenues I am struck by several things.

First, capital gains tax rate cuts do not appear to cost the government revenue, and may in fact increase revenue rather dramatically.

Second, the current revenue estimating model should be updated to reflect evidence that the model exaggerates losses from rate cuts, and also exaggerates the gains from tax rate hikes.

In addition, some attempt should be made to measure the impact of tax changes on the level of economic performance.

Third, less emphasis should be placed on the revenue models.

Instead, greater emphasis should be placed on the impact that changes in the tax treatment of capital gains will have on the private economy.

Economic growth, job creation, and international competitiveness should be our focus, not projections of government revenue.

This is particularly true when we know that the revenue projections are not likely to be terribly accurate.

This is not intended as a criticism of those whose job it is to make the estimates. This is difficult work. I certainly recognize this having served on the House Budget Committee for several years. And those who do the work are professionals who work hard at getting it right.

Unfortunately, this business is a bit like gazing into a crystal ball. There are just too many factors at work to think we can accurately project the revenue impact of changes in capital gains tax policy.

Mr. President, when it comes to capital gains taxes I suggest that Congress spend less time gazing into the crystal ball of revenue forecasting, and more time focusing on the real world impact of taxes on capital formation, job creation, and economic growth.

I think it will then be abundantly clear that we should continue to reduce the tax on capital to 14 percent. This will continue the good work that we began last year.

Mr. President, I suggest the absence of a quorum.

The PRESIDING OFFICER. The clerk will call the roll.

The assistant legislative clerk proceeded to call the roll.

Mr. SMITH of Oregon. Mr. President, I ask unanimous consent that the order for the quorum call be rescinded.

The PRESIDING OFFICER (Mr. HUTCHINSON). Without objection, it is so ordered.

PRIVILEGE OF THE FLOOR

Mr. SMITH of Oregon. I also ask unanimous consent that my assistant, Lourdes Agosto, be allowed floor privileges while I give this speech.

The PRESIDING OFFICER. Without objection, it is so ordered.

Mr. SMITH of Oregon. I thank the Chair.

(The remarks of Mr. SMITH of Oregon pertaining to the introduction of S. 2079 are located in today's RECORD under ''Statements on Introduced Bills and Joint Resolutions.'')

Mr. SMITH of Oregon. Mr. President, I thank you for the time and yield back the floor.

I note the absence of a quorum.

The PRESIDING OFFICER. The clerk will call the roll.

The legislative clerk proceeded to call the roll.

Mr. DEWINE. Mr. President, I ask unanimous consent that the order for the quorum call be rescinded.

The PRESIDING OFFICER. Without objection, it is so ordered. Under the previous order, the Senator from Ohio is recognized to speak for up to 15 minutes.

10TH ANNIVERSARY OF DUI CRASH IN KENTUCKY

Mr. DEWINE. Mr. President, today marks the 10th anniversary of the most tragic drunk driving case in our Nation's history. Ten years ago today, on Saturday, May 14, 1988, a school bus filled with children heading home to Radcliff, KY, after having spent a day at King's Island Amusement Park in Ohio—that school bus was hit head-on by a drunk driver heading the wrong way on Interstate 71 near Carrollton, KY, 10 years ago today. The collision caused the front gas tank of the bus to explode in flames. The crash caused the death of 24 children and three adults, and left many of the 36 survivors burned and disfigured.

This crash did not just affect the 63 innocent victims who were on the bus that day. It had significant impact and changed forever many of the victims' families, friends and their community. This horrible tragedy helped fuel a nationwide movement which has helped to change our Nation's attitudes towards drinking and driving. This horrible tragedy helped spur State legislatures to enact more stronger drunk driving laws. It led to tougher enforcement and has caused people to think twice before drinking and driving. In short, it is no longer ''cool'' or ''neat'' in our society to drink and drive. And this horrible, horrible tragedy did impact people and has helped to galvanize public opinion in regard to drunken driving.

The effects of this attitude change are well documented. In 1986, 24,050 people lost their lives in alcohol-related traffic crashes. A decade later that number had dropped by 28 percent; 17,274 people lost their lives in 1995 in